

Draft Reserve Bank of India (Urban Co-operative Banks - Voluntary Amalgamation)

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In exercise of the powers conferred by Section 44A and Section 35A of the Banking Regulation Act, 1949, as amended *vide* Banking Regulation (Amendment) Act 2020 (39 of 2020), read with Section 56 thereof; and all other provisions / laws enabling the Reserve Bank of India ('RBI') in this regard, RBI being satisfied that it is necessary and expedient in the public interest to do so, hereby issues the Directions hereinafter specified.

Chapter I - Preliminary

A. Short Title and Commencement

1. These Directions shall be called the Reserve Bank of India (Urban Co-operative Banks – Voluntary Amalgamation) Directions, 2025.
2. These Directions shall come into force with immediate effect.

B. Applicability

3. These Directions shall be applicable to all Urban Co-operative Banks (hereinafter collectively referred to as 'UCBs' and individually as a 'UCB').

In this context, urban co-operative banks shall mean Primary Co-operative Banks as defined under section 5(ccv) read with Section 56 of Banking Regulation Act, 1949.

C. Definitions

4. In these Directions, unless the context otherwise requires,
 - (1) '**Amalgamated Entity**' means the entity which is proposed to transfer its business to another entity under the scheme of amalgamation.
 - (2) '**Amalgamating Entity**' means the entity which is to acquire the business of the amalgamated entity under the scheme of amalgamation.
 - (3) '**Amalgamation**' refers to one or more entities merging with another entity under the relevant statutes / regulations under a scheme of amalgamation (or whatever name called), which sets out the terms and modalities of the process.
5. All other expressions, unless defined herein, shall have the same meaning as have been assigned to them under the Reserve Bank of India Act, 1934, or the Banking Regulation Act, 1949, or any statutory modification or re-enactment

thereto, or [Glossary](#) of Terms published by the RBI, or as used in commercial parlance, as the case may be.

D. Scope

6. These Directions shall cover amalgamation of two or more UCBs.
7. RBI shall consider only those proposals where:
 - (1) the amalgamating UCB assures to protect deposits of all the depositors of the amalgamated UCB irrespective of whether the net worth of the amalgamated UCB is positive or negative, and in the latter case, whether on its own or with financial support from the State Government extended upfront as part of the process of the amalgamation, and
 - (2) the CRAR of the amalgamating UCB post-amalgamation conforms to the minimum regulatory requirement as prescribed by RBI.

Chapter II – Approval by Board of Directors and Shareholders

A. Approval by Board of Directors

8. The decision of amalgamation shall be approved by two-third majority of the total number of Board members (not merely of those present and voting) of both the amalgamating and the amalgamated UCBs.
9. While giving approval, the Boards of the UCBs concerned shall give particular consideration to the following matters:
 - (i) Whether due diligence exercise has been undertaken in respect of the amalgamated entity.
 - (ii) The changes which are proposed to be made in the composition of the Board of Directors of the amalgamating UCB, consequent upon amalgamation, shall be in conformity with the Reserve Bank guidelines / directives in this regard. Further, these changes shall also be in conformity with the relevant provisions of the cooperative societies act, as applicable, to the extent that they are not in conflict with the relevant RBI directions / guidelines.
 - (iii) The nature and quantum of consideration that the amalgamating UCB will pay to the shareholders of the amalgamated UCB.
 - (iv) Whether the swap ratio has been determined by independent valuers having required competence and experience and whether, in the opinion of the Board, such swap ratio is fair and proper.
 - (v) The shareholding pattern in the concerned entities and whether, as a result of the amalgamation and the swap ratio, the shareholding of any person in the amalgamating UCB will be in contravention of RBI guidelines or the concerned co-operative societies act(s) requiring specific approval of any of the regulator.
 - (vi) The assets, liabilities and reserves of the amalgamated UCB shall be incorporated in the books of the amalgamating UCB at their existing carrying amounts, and such incorporation shall not result in any revaluation upwards, or credit being taken for unrealised gains.

(vii) The impact of amalgamation on the profitability, net NPA, capital adequacy ratio, and compliance with exposure norms of the amalgamating UCB.

B. Approval by Shareholders

10. The draft scheme of amalgamation, having been approved separately by the Boards of Directors of each of the UCBs under amalgamation, in accordance with paragraph 8 and paragraph 9, shall be approved by the shareholders of each UCB by a resolution passed by a majority representing two-thirds of the shareholders both in number and value, present in person at a meeting called for the purpose.
11. The notices of every meeting of the shareholders called for approving the draft scheme of amalgamation shall be published in newspapers at least once a week for three consecutive weeks in not less than two newspapers circulating in the locality or localities where the registered office of the UCB is situated, and one of the newspapers shall be in a language commonly understood in the locality or localities.

Chapter III – Approval by RBI

12. Subsequent to the scheme of amalgamation being approved by the requisite majority of shareholders as specified under paragraph 10 of these Directions, it shall be submitted to RBI for sanction.
13. For this purpose, information and documents shall be submitted to RBI in accordance with Annex, through the PRAVAAH portal (<https://pravaah.rbi.org.in>).

Chapter IV – Sanction of Scheme of Amalgamation

14. Sanction of the scheme shall be through an order in writing directing the date from which the properties / assets and liabilities of the amalgamated UCB will be transferred to and vest in the amalgamating UCB and thereby, the amalgamated UCB shall stand dissolved in terms of the provisions of Sub Section 6-A of Section 44A of the Banking Regulation Act, 1949 (AACS).
15. A copy of the order directing such dissolution of the amalgamated UCB will be transmitted by RBI to the Registrar of Cooperative Societies or the Central Registrar, as applicable, under whose jurisdiction the amalgamated UCB is registered as a Cooperative Society, and on receipt of such order, the Registrar shall strike off the name of the Society from its records in terms of the provisions of Sub Section 6-B of Section 44A of the Act *ibid*. Additionally, a copy of the order shall also be transmitted to the Registrar of Cooperative Societies or the Central Registrar under whose jurisdiction the amalgamating UCB is registered, if the amalgamated and amalgamating UCBs are governed under different Cooperative Society Acts.
16. In case, the amalgamating UCB is a uni-state bank and becomes multi-state bank as a result of the amalgamation with a uni-state bank registered in another State, a letter containing approval of the merger will be transmitted to the Central Registrar for registration of the UCB as a multi-state UCB under the Multi-State Co-operative Societies Act, 2002, and the amalgamation shall take effect only after the said registration with the issue of sanction order.
17. Incentives to amalgamating UCBs: RBI may at its own discretion consider granting additional incentives as detailed below to an amalgamating UCB at the time of sanction of the scheme of amalgamation:
 - (1) The amalgamating UCB may be permitted to close down the loss incurring branches (net loss for last three years) of the amalgamated UCB or merge branches of the amalgamated UCB with its own. The amalgamating UCB, if need be, may be permitted to use closed / merged branch licenses for opening new branches in the expanded area of operation (i.e., the area of operations of the amalgamated and amalgamating UCB put together). Similarly, shifting / relocation of the branches of the amalgamated UCB may

be permitted within the expanded area of operation of the amalgamating UCB, subject to the condition that the existing clientele is provided banking facilities through the existing / relocated branches of the amalgamating / amalgamated UCB.

- (2) The amalgamating UCB may be permitted to retain the facilities such as AD Category-I licence issued under FEMA, etc., where higher level of CRAR at 12 percent is required on an on-going basis, provided it maintains the benchmark CRAR of nine percent for a period as may be specified by RBI.
- (3) The minimum entry point capital prescribed for multi-State UCBs may not be insisted upon in case the amalgamating UCB becomes multi-State UCB, only on account of the amalgamated UCB being registered in a different State.
- (4) The amalgamating UCB may be permitted to amortise the loss taken over from the amalgamated UCB over a period of not more than five years, including the year of amalgamation. In this case,
 - (a) Where the consideration, if any, paid for the acquisition / amalgamation exceeds the book value of the net assets taken over, the excess amount shall be treated as goodwill and amortized over a period of five years in equal installments.
 - (b) Where no consideration is paid but the book value of the assets is less than the book value of liabilities taken over, the excess of the book value of liabilities over the book value of the assets taken over shall be considered as goodwill and amortized over a period of five years in equal installments.
 - (c) Where no consideration is paid, but the book value of the assets taken over is greater than the book value of the liabilities taken over, the excess of the book value of assets over the book value of the liabilities shall be considered as Capital Reserve.

Chapter V – Entitlement of dissenting shareholders

18. In terms of Section 44A (3) of the Banking Regulation Act, 1949, a dissenting shareholder is entitled, in the event of the scheme being sanctioned by RBI, to claim within three months from the date of sanction, from the entity concerned, the value of the shares held by the shareholder in that entity, as determined by RBI when sanctioning the scheme. Such determination by the RBI of the value of the shares shall be final for all purposes.

Provided that,

- (1) if any shareholder of either of the UCBs (amalgamating or amalgamated UCBs) who has subscribed to shares as linkage with borrowing has outstanding dues in respect of credit facilities availed, such shareholder shall be entitled to the refund of the value of shares only after full and final settlement of all dues to the UCB concerned; and
- (2) both the amalgamated and amalgamating UCBs shall submit the details regarding the proposed treatment of shares held by shareholders of the amalgamated UCB and the rationale or detailed computations for determination of the swap ratio.

Chapter VI- Repeal and Other Provisions

A. Repeal and saving

19. With the issue of these Directions, the existing Directions, instructions, and guidelines relating to voluntary amalgamation as applicable to Urban Cooperative Banks stand repealed, as communicated vide notification dated XX, 2025. The directions, instructions, and guidelines repealed prior to the issuance of these Directions shall continue to remain repealed.
20. Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed Directions, instructions, or guidelines shall continue to be governed by the provisions thereof. All approvals or acknowledgments granted under these repealed lists shall be deemed as governed by these Directions.

B. Application of other laws not barred

21. The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations, or directions, for the time being in force.

C. Interpretations

22. For the purpose of giving effect to the provisions of these Directions or in order to remove any difficulties in the application or interpretation of the provisions of these Directions, the RBI may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by the RBI shall be final and binding.

**Information and documents to be furnished along with the application of
Scheme of Amalgamation by UCBs**

I. Information

1. General information on amalgamated and amalgamating UCB – name, registered office address, date of registration as a cooperative credit society, date of granting licence, scheduling status, area of operation, etc.
2. Operative date - The mutually agreed date on which amalgamation shall be effective.
3. Information in respect of Board of Directors, inclusions under assets, inclusions under liabilities, etc.
4. Capital - Authorised and paid-up capital of both UCBs, names of top five shareholders with the shareholding of each as a percentage of paid-up capital.
5. Reorganization of capital – Manner of treatment of borrowing and non-borrowing members of amalgamated UCB.
6. Deposits - manner of transfer, process to be adopted for repayment if sought by depositors of amalgamated UCB, terms for renewal of deposits held with the amalgamated UCB, etc.
7. Transfers and vesting of Assets, liabilities, income, expenditure, rights, claims, lease, tenancy rights, contracts, deeds, bonds, securities, loans including Bank Guarantee (BGs) and Letters of Credit (LCs), security interest, legal proceedings, authority to execute deeds, etc.
8. Issue of shares by amalgamating UCB.
9. Accounting treatment and valuations adopted.
10. Treatment of Employees of amalgamated UCB – Absorption, remuneration, transfer of Provident Fund / gratuity / pension funds / trusts of amalgamated UCB to amalgamating UCB, etc.
11. Legal Proceedings: Manner in which all the legal proceedings by or against the amalgamated UCB shall be dealt with by the amalgamating UCB upon the Scheme coming to effect.
12. Such other information and explanations as the RBI may require.

II. Documents

A. Approval by the Board and shareholders

1. Certified copy of the minutes of the Board meeting where a resolution in favour of the scheme of amalgamation has been passed in accordance with paragraph 8 of these Directions.
2. Draft scheme of amalgamation approved by the shareholders.
3. Copies of the notices of every shareholder meeting called for such approval, together with newspaper cuttings evidencing compliance with the notice publication requirements set out in paragraph 11 of these Directions.
4. Certificates signed by each of the officers presiding over the meeting of shareholders certifying:
 - (1) A copy of the resolution passed at the meeting.
 - (2) The number of shareholders present at the meeting.
 - (3) The number of shareholders who voted in favour of the resolution, and the aggregate value of the shares held by them.
 - (4) The number of shareholders who voted against the resolution, and the aggregate value of the shares held by them.
 - (5) The number of shareholders whose votes were declared as invalid, and the aggregate value of the shares held by them.
 - (6) The names of shareholders, if any, who have given notice in writing to the Presiding Officer that they dissented from the proposed scheme of amalgamation, together with the number of shares held by each of them.

B. Depositor and Shareholder Information

5. Amount and number of depositors holding deposits up to and above rupees five lakh, with segregated data of member and non-member depositors.
6. Shareholding by number and amount by borrowers and non-borrowers.

C. Governance related information

7. The names, addresses, and occupations of the Directors of the amalgamating UCB, if proposed to be reconstituted after the amalgamation, and indicating how

the composition will be in compliance with regulations of RBI and the concerned Cooperative Societies Act(s).

8. The details of the proposed / continuing Chief Executive Officer of the amalgamating UCB after the amalgamation.

D. Financial information of each UCB separately

9. Annual reports for each of the three completed financial years immediately preceding the Appointed Date for amalgamation.
10. If statutory audit is not yet completed, submit the unaudited financials for the last completed financial year.
11. Brief summary of any significant observation / adverse comments by auditors in Notes on account / auditor's reports and rating.
12. Data on deposits, advances, investments in Government Securities, other investments, cash balance, bank balance (Current + Saving Bank + Fixed Deposit + Others), net Profit / loss, audit rating and accumulated loss (if any).
13. Tabular representation of key financials as at (1) below.

E. Post-amalgamation financial information

14. The following financial information shall be submitted.

- (1) Pro-forma combined balance sheet of the amalgamating UCB as it will appear as on the appointed date of the amalgamation;
- (2) Computation based on such pro-forma balance sheet of the following:
 - (i) Authorised Capital
 - (ii) Tier I, Tier II, and total (Tier I + Tier II) Capital
 - (iii) Risk - Weighted Assets
 - (iv) Ratio of Tier I Capital to Risk-Weighted Assets
 - (v) Ratio of Tier II Capital to Risk Weighted Assets
 - (vi) Ratio of Total Capital to Risk Weighted Assets
 - (vii) Tier I Capital to Total Assets
 - (viii) Deposits
 - (ix) Investments total and of these, in Government Securities
 - (x) Cash and Bank balance (Current + FD+ others)

- (xi) Advances
- (xii) Bad and Doubtful Debt Reserve
- (xiii) Net Advances
- (xiv) Gross and Net NPAs
- (xv) Ratio of Gross and Net NPAs to Gross and Net Advances respectively
- (xvi) Net Profit
- (xvii) Net -Worth
- (xviii) compliance with CRR / SLR

F. Report of valuers

- 15. Copies of the reports of the valuers appointed for the determination of the swap ratio.
- 16. Information certified by the valuers as is considered relevant to understand the proposed swap ratio including the following:
 - (1) the method of valuation of assets used by the valuers;
 - (2) the information and documents on which the valuers have relied, and the extent of the verification made by the valuers to test the accuracy of such information;
 - (3) if the valuers have relied upon projected information, the names and designations of the persons who have provided such information, and the extent of verification, if any, made by the valuers in relation to such information;
 - (4) details of the projected information on which the valuers have relied;
 - (5) detailed computations of the swap ratio containing explanations for adjustments made to the published financial information for the purposes of the valuation;
 - (6) if these adjustments are made based on valuations made by third parties, details regarding the persons who have made such valuations;
 - (7) details of computation of realizable value of assets of the amalgamated UCB.

G. Due Diligence Report (DDR)

17. The Due Diligence Report (DDR) of the amalgamated UCB shall be as per the below format:

- (1) Appointment and purpose of DDR.
- (2) Scope / Mandate of DDR.
- (3) Sources of information used (like Balance Sheet, Auditor's report, MIS, BOD meeting minutes, RBI inspection, etc., and limitations, if any, due to incomplete / not available data / information).
- (4) Profile of UCB and background (Registration as society, licence, area of operation, location, Head Office, branches, Credit Card / Debit Card business, Extension Counters / ATM onsite / offsite).
- (5) Nature of business being undertaken including Foreign Exchange, Authorized Dealer Category I / II, Bharat Bill Payment System (BBPS), Centralised Payment System (CPS), Depository Participant (DP), etc., reasons for downfall and supervisory action, etc).
- (6) Share capital and share holding pattern.
- (7) Management structure and organisational chart of holding Membership.
- (8) Accounting policies / practices and software in use.
- (9) Agreements and contracts (Annual Maintenance Contract, etc.), and insurance in place.
- (10) Audit and inspection conducted and compliance thereof along with penalty imposed if any.
- (11) Legal cases - by and against the UCB.
- (12) Statutory liability assessment and compliance (Income Tax (IT), Provident Fund (PS), Tax Deducted at Source (TDS), etc.); penalty imposed, if any.
- (13) Liabilities - deposits, related to staff, others and contingent liabilities details.
- (14) Assets - cash, bank balance, investment-verification and valuation, advances along with its actual IRAC status as per RBI guidelines / inspection, fixed assets-valuation method, other assets.

- (15) Contra items (bills for collection, etc).
- (16) Off-balance sheet items and contingent liabilities, if any.
- (17) Review of net assets and net liability including realisable value.
- (18) Independent study of assets and pointers on erosion in assets, under provisioning (e.g., on gratuity, leave encashment, income tax, depreciation, stamp duty, etc), understatement of liability (e.g., non-recognition of interest liability on matured term deposits, etc) and factoring these into net worth calculation.
- (19) Non-banking assets, if any.
- (20) Net worth statement.
- (21) Attachments on any property of the UCB as per orders of court or any other body.
- (22) Details of property owned and leased, with market value.
- (23) Confirmation that auditors conducting the due diligence of the Amalgamated UCB on behalf of the Amalgamating UCB have discussed their findings with the Amalgamating UCB.
- (24) Loans etc., to directors.
- (25) Any signs of possible frauds or financial malfeasance.
- (26) A tabular representation of data drawn from DDR on key financials covering financial parameters as stated at [requirement 14](#) on 'Post-amalgamation financial information' above.

H. Other information

- 18. Such other information and documents as the RBI may require.